

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

OUTBOUND SINGLE-PIECE FIRST-CLASS
PACKAGE INTERNATIONAL SERVICE

Docket No. MC2021-91

**REQUEST OF THE UNITED STATES POSTAL SERVICE FOR
CLASSIFICATION CHANGES CONCERNING
OUTBOUND SINGLE-PIECE FIRST-CLASS PACKAGE
INTERNATIONAL SERVICE
(May 13, 2021)**

Pursuant to 39 C.F.R. § 3040.180, the United States Postal Service (Postal Service) hereby gives notice of changes in classification governing International Mail in the Mail Classification Schedule (MCS).¹ The proposed changes revise the competitive product description in section 2335.1 of the MCS, which concerns Outbound Single-Piece First-Class Package International Service (FCPIS).

Pursuant to 39 C.F.R. § 3.4(g), the Governors authorized this Request on May 6, 2021, in Governors' Decision No. 21-4, which is included as Attachment 1 to this Request, and which includes a copy of the applicable sections of the MCS, with the proposed changes in legislative format.

I. Supporting Justification for the Proposed Changes to MCS section 2335 Outbound Single-Piece FCPIS

The paragraphs below provide the supporting justification.

¹ The Postal Service has prepared this filing under 39 C.F.R. §§ 3040.180 to 3040.183, but reserves the right to characterize this change as "minor" in nature should the Commission determine that the classification changes do not rise to the level of materiality specified by 39 C.F.R. §§ 3040.180 to 3040.183.

(1) *Description of, and rationale for, the proposed changes to the product description (39 C.F.R. § 3040.181(a))*

The Outbound Commercial Provider Initiative (OCPI) would allow the Postal Service to offer the delivery of outbound international service for package shipments in foreign countries through the use of a commercial delivery supplier in lieu of the destination country postal operator. The Postal Service recently published an advance notice of proposed rulemaking in the *Federal Register* concerning the salient contours of the OCPI.² In that notice, the Postal Service stated that the OCPI is designed to help the Postal Service remain competitive in the cross-border shipping market through the use of alternative providers to provide final delivery in the destination country of U.S. origin shipments, in lieu of using the designated postal operator. Implementation of the OCPI would also enable continuity of service in situations where issues arise with foreign postal operators, such as strikes, unfavorable bilateral negotiations, pandemic impacts, or significant service issues. Creating an alternative channel also offers opportunities for providing improved service performance. The products offered through the OCPI program will be international package services, limited to Priority Mail Express International (PMEI), Priority Mail International (PMI), and FCPIS.³

Because MCS section 2315, which concerns PMI, and MCS section 2305, which concerns PMEI, are sufficiently broad to allow for implementation of the

² See New Outbound Commercial Provider Initiative (OCPI) Program Information; Opportunity for Comments, 86 Fed. Reg. 7659, at 7660, as well as New Outbound Commercial Provider Initiative (OCPI) Program Information; Opportunity for Comments; Correction, 86 Fed. Reg. 8722, February 9, 2021.

³ *Id.*

OCPI, it was not deemed necessary to seek classification changes to those sections to facilitate the introduction and implementation of the OCPI for PMI and PMEI. However, some classification changes were deemed necessary to MCS section 2335, which concerns FCPIs, to facilitate the introduction and implementation of the OCPI for FCPIs, should the Postal Service determine to implement the option for that product.

The proposed classification changes would lead to a more seamless implementation of the OCPI in relation to FCPIs. There are three components to the proposed changes. The first in MCS section 2335.1a would remove the provision that FCPIs be subject to the provisions of the Universal Postal Convention. The second in MCS section 2335.1a would delete the following phrase: “that are not entered as Priority Mail International.” The third would revise MCS section 2335.1c, so that it states, “Outbound Single-Piece First-Class Package International Service pieces that are undeliverable-as-addressed may be forwarded if applicable or returned to the sender.”

Certain of these changes would facilitate implementation of the OCPI in relation to FCPIs.⁴ The changes do not require the implementation of the OCPI for FCPIs or for FCPIs sent to any particular destination country, but instead merely prevent the introduction of an inconsistency between actual practice and the MCS provisions to the extent that the OCPI is expanded to include FCPIs. Thus, the product description would be made broad enough to encompass the use of commercial delivery suppliers in the destination country under the OCPI,

⁴ Certain of the changes are intended to clarify the language of the FCPIs, but may be considered independently of the OCPI.

should the Postal Service deem it desirable to do so for FCPIS pieces to select destination countries in the future.

- (2) *Explain why, as to market dominant products, the changes are not inconsistent with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code, the applicable requirements of 39 C.F.R. part 3040, and any applicable Commission directives and orders (39 C.F.R. § 3040.181(b)(1))*

Not applicable because this Request concerns a competitive product.

- (3) *Explain why, as to competitive products, the changes will not result in the violation of any of the standards of 39 U.S.C. 3633 and 39 C.F.R. part 3035 (39 C.F.R. § 3040.181(b)(2))*

The changes will not result in the violation of any of the standards of 39 U.S.C. § 3633. In the Postal Service's response to Question No. 5 of Chairman's Information Request No. 12 in the ACR2020 docket, the Postal Service provided responses under seal to a number of questions concerning the OCPI. The Postal Service's responses to that information request, particularly with respect to subparts (a) and (b), explain why the proposed classification changes would not result in the violation of the any of the standards of 39 U.S.C. § 3633 and 39 C.F.R. part 3035. Specifically, the salient point made there and applicable here are that the OCPI program is intended to take advantage of rates and services negotiated with commercial suppliers for destination country delivery costs of FCPIS, PMI, and PMEI.⁵ These rates would generally be expected to be advantageous as compared to the terminal dues, inward land rates, and EMS

⁵ Response of the United States Postal Service to Question 5 of Chairman's Information Request No. 12, Docket No. ACR2020, February 12, 2021.

rates charged by foreign postal operators; however, in some cases, the use of OCPI suppliers may be desirable to ensure stable and consistent service abroad.

Because the OCPI is in its preliminary stages and it has not yet been determined that the OCPI will be offered in connection with FCPIs at any point in the near future, it is not possible to generate detailed financial workpapers that set forth the impact of implementation of the OCPI program on cost coverage for rates of general applicability for FCPIs at this time. However, the Postal Service is confident that if it were possible to generate such supporting forecast data, adjustment calculations, and expected cost coverage for FCPIs, the financial workpapers would demonstrate that if the proposed changes are implemented, the FCPIs product would show improved contribution and thereby be in compliance with 39 U.S.C. § 3633(a)(1) & (2). In addition, the changes are small in relation to total competitive product revenue and thereby would not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs in accordance with 39 U.S.C. § 3633(a)(3). Thus, the changes will not result in the violation of any of the standards of 39 U.S.C. § 3633 and 39 C.F.R. Part 3035.

- (4) *Describe the likely impact that the changes will have on users of the product and on competitors (39 C.F.R. § 3040.181(c))*

As discussed above, there are three components to the proposed changes. The first would remove the limitation in MCS section 2335.1a that FCPIs be subject to the provisions of the Universal Postal Convention. This would allow the Postal Service to offer FCPIs not only through the use of a

foreign postal operator, but also through the use of an OCPI supplier. For users of FCPIIS, this is likely to have a positive effect. As stated in the Postal Service's advance notice of proposed rulemaking, the OCPI is designed to help the Postal Service remain competitive in the cross-border shipping market through the use of alternative providers. The OCPI also enables continuity of service in situations where issues arise with foreign postal operators, such as strikes, unfavorable bilateral negotiations, pandemic impacts, or significant service issues. Creating an alternative channel also offers opportunities for providing services that are currently unavailable through the postal channels and improving service performance.⁶

Competitors of the Postal Service may be affected by the Postal Service's capacity to offer new services that are currently unavailable through the postal channels, reduce cost of destination country delivery for U.S. origin items, and potentially improve service delivery performance for the FCPIIS product. However, the OCPI relies on commercial customs practices in the destination country, and as such, results in the same practices being applied to shipments originating with the Postal Service as with competing private sector entities.

The second component in MCS section 2335.1a would delete the following phrase: "that are not entered as Priority Mail International." For users of FCPIIS and for competitors of the Postal Service, this change has no practical

⁶ See New Outbound Commercial Provider Initiative (OCPI) Program Information; Opportunity for Comments, 86 Fed. Reg. 7659, at 7660, as well as New Outbound Commercial Provider Initiative (OCPI) Program Information; Opportunity for Comments; Correction, 86 Fed. Reg. 8722, February 9, 2021.

effect. The change was merely intended to eliminate unnecessary wording, which has little relevance.

The third component would revise MCS section 2335.1c, so that it states that Outbound Single-Piece First-Class Package International Service pieces that are undeliverable-as-addressed “may be forwarded if applicable or returned to the sender,” instead of stating that such items “are entitled to be forwarded or returned to the sender.” For users of FCPIs, this revision is intended to indicate that forwarding to a country other than the piece’s origin or destination country may be provided if practicable, considering that OCPI suppliers may not have access to change of address practices used by postal operators; moreover, the return of undeliverable-as-addressed items to a sender’s return address that is in the sender’s country and not in the United States or the destination country may not be possible for pieces sent to destination countries served by OCPI suppliers.

Conclusion

The Postal Service requests that the Commission take action in this docket within 30 days of filing of this request, which should allow the Postal Service adequate time to allow for planning so that FCPIs can be integrated into the OCPI, should the Postal Service determine it desirable to do so at a future point in time. The Postal Service therefore requests that changes be made to the MCS, as discussed above.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business & Service
Development

Christopher C. Meyerson
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1101
(202) 268-7820
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**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON MAIL
CLASSIFICATION SCHEDULE CHANGES RELATED TO THE OUTBOUND COMMERCIAL
PROVIDER INITIATIVE (OCPI) (GOVERNORS' DECISION No. 21-4)**

May 6, 2021

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 404(b) and Chapter 36 of title 39, United States Code, the Governors establish classification changes related to the Outbound Commercial Provider Initiative (OCPI).

The OCPI would allow the Postal Service to offer outbound international service for package shipments through the use of a supplier in lieu of the destination country postal operator. OCPI is designed to help the Postal Service remain competitive in the cross-border shipping market, by providing the ability for delivery in the destination country of certain outbound international products by a third-party supplier, instead of the designated foreign postal operator of the destination country. This provides the Postal Service the option of selecting providers that may be able to offer either superior service or better destination delivery prices, or both.

In order to implement the OCPI, revisions to the Mail Classification Schedule (MCS) should be made. These changes to the MCS would not mandate the use of the OCPI, but rather maintain flexibility to allow its use in particular outbound international traffic lanes.

We have evaluated the classification changes related to the OCPI for the Outbound Single-Piece First-Class Package International Service product in this context in accordance with Title 39 of the United States Code. We approve the changes, finding that they are appropriate, and are consistent with the applicable criteria.

ORDER

We direct management to provide the required public notice, and to file with the Postal Regulatory Commission the required documents and supporting documents consistent with this Decision. The changes in classification to the Mail Classification Schedule set forth herein are intended to be effective thirty days after the material MCS changes are filed with the Postal Regulatory Commission, or as soon as practicable thereafter.

By the Governors:



Ron A. Bloom
Chairman, Board of Governors

2335 Outbound Single-Piece First-Class Package International Service

2335.1 Description

- a. Outbound Single-Piece First-Class Package International Service consists of outbound international ~~letter post~~ packages and rolls (destined for delivery outside of the United States) ~~that are subject to the provisions of the Universal Postal Convention of the Universal Postal Union and that are not entered as Priority Mail International.~~

- c. Outbound Single-Piece First-Class Package International Service pieces that are undeliverable-as-addressed ~~are entitled to~~ may be forwarded if applicable or returned to the sender.
